
City of Detroit

Revenue Enhancement

December 19, 2012



CITY OF DETROIT

DRAFT SUBJECT TO CHANGE

Table of Contents & Proceeds Overview

Section	Page	Revenue enhancement initiative	Estimated proceeds	Collected to date
I.	3	Income tax	\$ 13.0	\$ 8.6
II.	6	Buildings, Safety Engineering, and Environmental Department	3.0	1.7
III.	9	Tax Amnesty ¹	4.0	
IV.	11	Other Delinquent A/R Collections ¹	14.0	
V.	13	Fire Marshal	2.5	1.0
VI.	15	Airport	0.3	
VII.	17	Department of Public Works (DPW)	1.5	
VIII.	19	Asset Sales ¹	7.2	
IX.	21	Medicaid Expense Recovery ¹	3.5	
X.	23	Towing/Impound	1.2	
XI.	25	Other Initiatives	n/a	
Total			\$ 50.2	\$ 11.3

(1) Represents one-time proceeds. Enhancement of future collections is expected as a result of these initiatives.

I. Income tax

INCOME TAX REVENUE ENHANCEMENT

Collection from non-filers

- Business non-filers - Cross referencing with IRS data
- Individual non-filers - Cross referencing with IRS and State data

Data integrity & process improvement

- Tax Analyzer – working with Compuware and Chase to automate data collection within TAS, the current tax system
- Reporting tools – developing internal tracking mechanism and system generated reporting

New income tax system

- Current system no longer supported by manufacturer
- New system will be more stable and efficient and allow for expanded automated processing
 - Integration with Chase records, E-filing capability, discovery and compliance reporting capability

Proposed Inter-local tax processing project

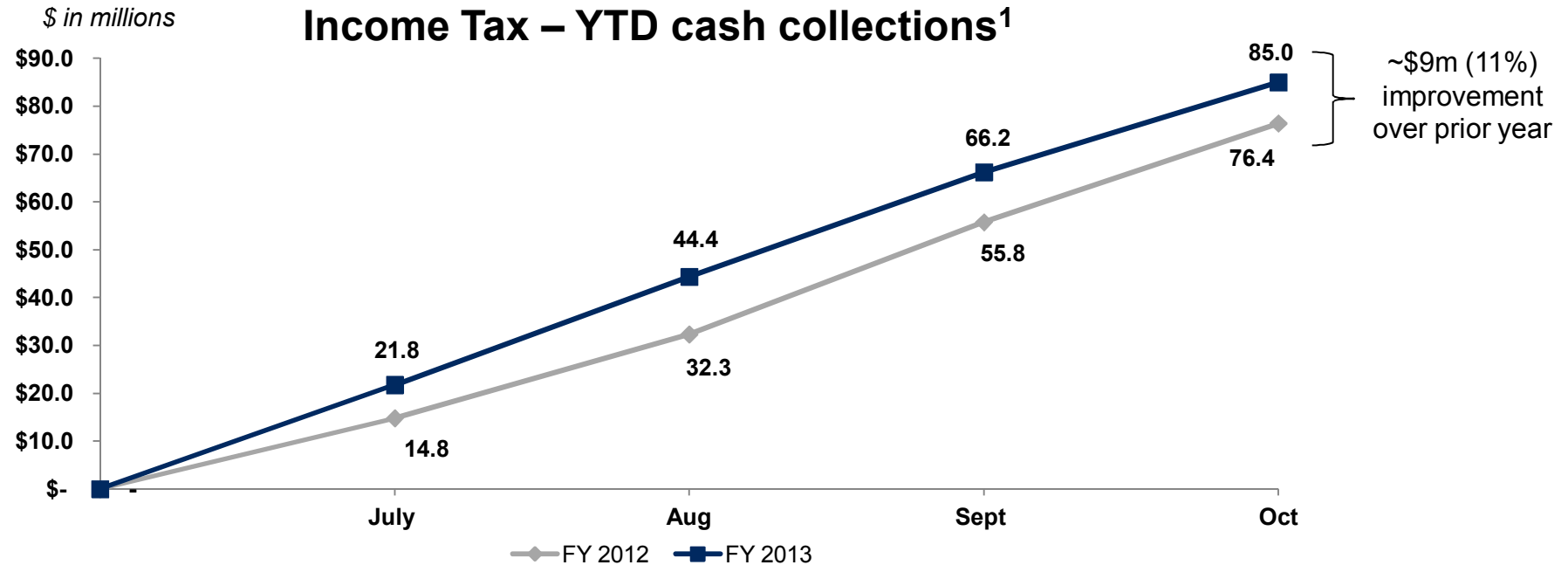
- Align the processing of returns (data and images) in a manner uniform to the other MI cities that impose an income tax
- Adoption of the 2014 CF (Individual Common Form used by other MI cities)
- Chase to provide joint processing of City Income Tax returns with Flint, Grand Rapids, Lansing and possibly Battle Creek

Economic improvement

- Unemployment rate has declined resulting in growing income tax base
- Businesses relocating and expanding in Detroit contribute to growing tax base
- Corporate income tax rate has been increased from 1% to 2%



INCREASED 2012 INCOME TAX CASH COLLECTIONS



\$ in millions

Income tax	FY 2012	FY 2013	YoY	YoY
July	\$ 14.8	\$ 21.8	\$ 7.0	47%
August	17.5	22.6	5.1	29%
September	23.4	21.9	(1.6)	-7%
October	20.6	18.8	(1.9)	-9%
YTD	\$ 76.4	\$ 85.0	\$ 8.6	11%

1. Data based on preliminary cash receipts data; subject to further review and reconciliation

II. Buildings, Safety Engineering, & Environmental Department (BSEED)

BSEED REVENUE ENHANCEMENT

Collection effort

- Fees are no longer waived based on statute of limitation or change of ownership

Billing improvement

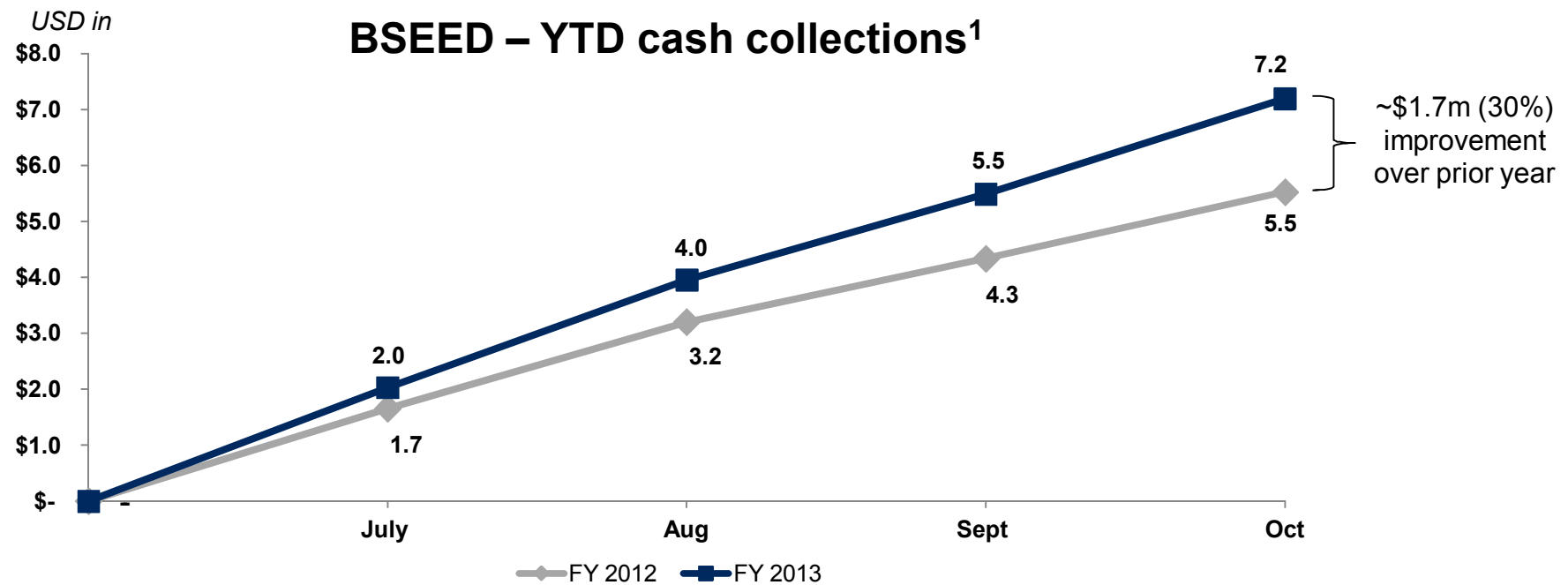
- Focused effort to bill in a timely fashion has reduced A/R aging

Enforcement activities

- Partnering with other agencies for collaborative code enforcement activity
- Starting Inspectors from the field and increasing number of billable inspections
- Increase in the number of show cause hearings for non-compliance
- Disallowing subsequent permits for contractors and businesses with outstanding past due receivables until past debts are satisfied
- Increase in number of citations for cease and desist vacate orders issued



INCREASED 2012 BSEED CASH COLLECTIONS



\$ in millions

BSEED	FY 2012		FY 2013		YoY	%
July	\$	1.7	\$	2.0	\$ 0.4	22%
August		1.5		1.9	0.4	25%
September		1.1		1.5	0.4	35%
October		1.2		1.7	0.5	44%
YTD	\$	5.5	\$	7.2	\$ 1.7	30%

1. Data based on preliminary cash receipts data; subject to further review and reconciliation

III. Tax Amnesty

TAX AMNESTY PROGRAM

Amnesty

- The Amnesty program will include delinquent income tax
- Other Amnesty programs are planned for the future
- Programs will be staggered and durations will last 30 days
- The Amnesty program will offer penalty abatements for delinquent debts paid in full during the program

Post Amnesty collections

- Unpaid balances will be referred to an outside collections agency
- Penalties will be included
- More aggressive collections activities will be conducted
- Commercial and individual accounts will be subject to credit reporting

Amnesty program

Income tax

Expected revenue (~12 months)

\$4.0 million

IV. Other Delinquent A/R Collections

DELINQUENT ACCOUNTS RECEIVABLE COLLECTIONS

Delinquent collections

- Accounts receivable (A/R) portfolio includes aged miscellaneous receivables from BSEED, Fire, DAH, EMS, and Parking
- Total A/R owned will be aggregated for commercial and individual accounts
- All accounts will be subject to credit reporting

Delinquent A/R	Expected revenue (~12 months)
Property tax	\$2.0 million
Parking judgments	\$2.0 million
Miscellaneous receivables	\$10.0 million

V. Fire Marshal

FIRE MARSHAL REVENUE ENHANCEMENT

Aggregate invoice billing

- 2-phased billing of customers for prior periods
- Initial mailing occurred in September 2012
- Final mailing anticipated by March 2013
- Coordinated between Fire, Finance and ITS departments

New operational system

- New system will afford automated processing
- More efficient operations enhances Fire Marshal revenue-generating activities

Estimated annual impact

\$2.5 million

VI. Airport

AIRPORT REVENUE ENHANCEMENT

Legal recourse for delinquent customers

- Reviewed contract/lease of each delinquent customer
- Actionable delinquent accounts transferred to Law department for legal action
- Non-actionable delinquent accounts will be sent to collection or transferred to Law for potential legal recourse

Timely current billing

- Current customers are invoiced timely to mitigate future collection risk

Estimated annual impact

\$300,000

VII. Department of Public Works (DPW)

DPW REVENUE ENHANCEMENT

Delinquent solid waste fee collection

- Focus on collecting delinquent solid waste fees that:
 - Remain uncollected and within the statute of limitations after cycling through the Wayne County delinquent property tax bill process
 - Are voluntarily excluded from delinquent property tax bill by certain customers
 - Are held by tax-exempt organizations not involved in the Wayne County process
- Fees identified in this process will be actively collected or referred to Law for potential legal recourse

Improve pre-delinquency collection efforts

- Evaluate options to enhance the collection rate of the solid waste fee prior to delinquency

Estimated annual impact

\$1.5 million

VIII. Asset Sales

ASSET SALES REVENUE ENHANCEMENT

Veterans Memorial building

- Sale of Veterans Memorial building to UAW/Ford at negotiated sale price
- The City would retain control of green space adjacent to building and Jefferson Ave to ensure continuity with Hart Plaza
- UAW/Ford would assume responsibility for maintenance of adjoining infrastructure and electrical equipment
- Current status: an environmental study must be performed before the sale of the building

Other pending assets sales

- The City is working on the sale of several additional City-owned assets

Asset sale	Sale proceeds (General Fund)
Veterans Memorial building	\$4.0 million
Other	~\$3.2 million

IX. Medicaid Expense Recovery

MEDICAID EXPENSE RECOVERY

Work with Institute for Population Health (IPH) staff to assist with recovery of Medicaid expenses

- Work with Health and Wellness Department and IPH to justify the recovery of Medicaid costs not yet reimbursed by the State
 - Includes FY 2008 through FY 2012
- History: Upon previous submission of Medicaid cost reports, the State claimed lack of documentation
- Current status: IPH will assist Health and Wellness Department to perform recovery activities for a portion of the proceeds

Medicaid recovery activity	Estimated net funds to City
Revised reports (FY08 – FY10)	\$3.5 million
New reports (FY11 – FY12)	3.0 million
Bill for unbilled procedures	0.5 million
Total	\$7.0 million
Collection rate (est.)	50.0%
Estimated net funds	\$3.5 million



X. Towing/Impound

ABANDONED VEHICLE TOWING/IMPOUND

Abandoned vehicles sold for scrap

- The City will take over control of the impound lot and sale of abandoned vehicles (sold for scrap)
- Estimated volume of approximately 10,000 vehicles per year

	Annualized net proceeds
Total revenues (est.)	\$2.0 million
Total expenses (est.)	0.8 million
Net income (loss)	\$1.2 million

XI. Other Initiatives

OTHER INITIATIVES

Payroll & benefits services

- Managed service provider
- Expected to reduce processing cost per paycheck from \$62 to \$18, in line with the public sector average
- Allows for uniformed officers to shift focus back to Public Safety
- Increased efficiency, service levels, and reporting capability

Dependent verification audit

- City recently selected Aon Hewitt to conduct a dependent eligibility audit
- Objective is to identify all non-qualifying dependents to be removed from group insurance plans (medical, dental, vision)
- Dependent audit will cost the City \$186K and the estimated savings is approximately \$5-7 million
- Set to commence in January 2013 and to be complete by June 2013
- Initial amnesty phase has been initiated with the current health care plan open enrollment to drive voluntary compliance beginning January 1, 2013

Worker's compensation audit

- Third-party to perform a Workers Compensation Fraud Audit of the Workers Compensation program and the alternate benefit program
- Should include a review of open indemnity claims, approximately 45%-50% of the open claims percent
 - Review of all relevant parties, including claimants, witnesses, physicians, and legal counsel
- Workers Compensation process improvement review
- Set to commence in January 2013



This page intentionally left blank

